

**Notes on AML/CFT Measures covered
during the briefing conducted by the
Registry of Moneylenders on 16
October 2015**

National Risk Assessment

- Published in January 2014
- Help licensees understand Singapore's ML/TF risk and incorporate into their risk assessment
- Internationally-oriented and cash-intensive activities more vulnerable

National Risk Assessment

- Moneylenders
 - Inherent risks due to cash-intensive transactions
 - Channel is moderately attractive for ML purposes
 - TF risks are moderate to low due to small percentage of foreign borrowers
 - ML and TF risks mitigated by existence of Moneylenders (Prevention of Money Laundering & Terrorism Financing) Rules 2009 (revised in Sep 2015 – aligned to international standards & best practices); moneylender's test

Overall risk assessment

- The overall risk assessment can be incorporated in the PPC document
- Licensees should take into consideration:
 - Size of business
 - Transaction volume and value
 - Branches
 - Customer profiles
 - General background; common purpose of loan; nationality
 - Regulars; walk-ins; referrals
 - Can be more than one category
 - Other business behaviours:
 - Modes of securing customers (referrals, advertisements, etc.)
 - Modes of transaction and use of technology
 - Extension of businesses overseas and the countries they reside

Internal Policies, Procedures & Controls ("PPC") – [1]

- The PPC has to be developed based on overall risk assessment
- It has to cover procedures and controls concerning the following:
 - Customer Due Diligence ("CDD")
 - Record keeping
 - Detection and reporting of suspicious transactions
 - Audit of the PPC
 - Compliance management arrangement
 - Training and hiring of staff

Internal Policies, Procedures & Controls ("PPC") – [2]

- The PPC must be:
 - Constantly revised to remain current and effective
 - Approved by senior management
 - Communicated to the staff, especially those who transact directly with the customers
- Very importantly, the PPC must be reflective of the actual business operations/processes

Negative and positive examples

- ~~“verify that the particulars of customer are genuine”~~
- “verify the customer’s particulars against independent documentary evidence such as the Singapore NRIC for a local, and passport for a foreigner”
- ~~“regular staff training will be provided”~~
- “staff training on AML/CFT measures will be performed by the compliance manager every half yearly” *(elaborate on intended plan)*

CDD Measures – [1]

- Perform screenings with UN Sanction Lists (subscribe to MAS website)
- Identify and verify:
 - Borrower, agent
 - Agent – Verify the authority (e.g. consent letter)
 - Connected persons to the borrower; beneficial owner
 - If the borrower is not an individual, the individuals to be considered for CDD are:
 - Directors, managers, partners
 - Shareholders/beneficial owners

CDD Measures – [2]

- Carry out Enhanced CDD for Politically-exposed Persons (“PEP”) and situations where risks are detected
- How to know if customer is “risky”? Information obtained through:
 - UN Sanction Lists (subscribe to and obtain information through MAS website)
 - Commercial database or other open sources (internet)
 - Complemented by interview(May trigger Suspicious Transaction Report – “STR”)
- Licensees must not perform Simplified CDD or CDD via third-party without the Registrar’s approval

Record keeping

- Documentations in addition to business transactions that are not specific to AML/CFT measures must be kept
- ML/TF-related information/documents pertaining to the following must be kept:
 - Risk detections
 - Decisions made
 - Actions taken
 - Transactions
 - (STRs)
- Documentary evidence is to be retained in its original form
- 5 years from time of incident/closure of account (whichever is later)

Suspicious transactions/activities

- Refer to list of red-flag indicators as advised on IPTO's website for possible suspicious circumstances (there may be more)
- In the event of a suspicious situation, file STR with CAD and copy the Registry
- May stop transaction
- Note that a suspicious situation can happen at any point and not necessarily during establishing of business relationship
 - When applying for a loan
 - When making payments
 - Any unusual activities that suggest ML/TF risks which may happen outside the two circumstances mentioned above

Audit of PPC

- The auditing unit must be adequately independent of the business arm. Licensee can contract external auditor
- The audit must assess the PPC's functionality (based on actual business operations/processes) and level of compliance with the legislations (including UN Act/Regulations, TSoFA and CDSA)
- The inadequacies identified through the audit must be addressed and rectified
- The PPC is to be updated where applicable (e.g. new risk assessment)
- The audit report must be kept

Compliance arrangement, Training & Hiring

- A compliance manager/officer who will oversee the implementation of, compliance with and review of the PPC (AML/CFT measures) must be appointed
- Training schedule for staff (internal/external AML/CFT training) should be developed
- Licensees must commit to adhering to the requirement to seek Registrar's approval for the admission/employment/engagement of persons in the business as required under the legislations/licence conditions. Other internal pre-employment safeguards can be included

Useful Links

- Singapore's National Policy Statement: <http://www.mas.gov.sg/regulations-and-financial-stability/anti-money-laundering-counteracting-the-financing-of-terrorism-and-targeted-financial-sanctions/anti-money-laundering-and-counteracting-the-financing-of-terrorism/national-policy-statement.aspx>
- Singapore's National Risk Assessment: <http://www.mas.gov.sg/Regulations-and-Financial-Stability/Anti-Money-Laundering-Counteracting-The-Financing-Of-Terrorism-And-Targeted-Financial-Sanctions/Anti-Money-Laundering-and-Counteracting-the-Financing-of-Terrorism/National-Risk-Assessment.aspx>
- MAS AML/CFT Webpage: <http://www.mas.gov.sg/regulations-and-financial-stability/anti-money-laundering-counteracting-the-financing-of-terrorism-and-targeted-financial-sanctions.aspx>
- FATF Standards: <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/internationalstandardsoncombatingmoneylaunderingandthefinancingofterrorismproliferation-thefatfrecommendations.html>
- FATF Mutual Evaluation Procedures: <http://www.fatf-gafi.org/documents/documents/4th-round-procedures.html>